



# M e m o r a n d u m

To: Panel Members

From: Peter McNamee  
Executive Director

Subject: TRAINING IN HIGH UNEMPLOYMENT AREAS

Date: October 24, 2002

File:

This is to propose revisions to the Employment Training Panel's (ETP) policy for targeting training in high unemployment areas (HUAs) of the State, primarily to address the fiscal year (FY) 2002-03 Strategic Plan objective to explore a limit to wage waivers for "working poor" trainees. The proposed revisions also clarify other HUA criteria.

## **Background**

In its FY 2002-03 Strategic Plan, the Panel has targeted at least \$15 million for training in high unemployment areas of the State, with a focus on the "working poor." ETP defines HUAs as counties with unemployment rates significantly higher than the State average, based on the Employment Development Department's (EDD) Labor Market Information data, or sub-county areas containing large numbers of unemployed workers. HUA training is focused on workers who have full-time jobs and fairly stable employment, but earn low wages and lack the essential job skills necessary to improve their employment opportunities.

The Panel began targeting HUAs and the working poor in FY 2000-01, when that year's Budget Act allocated \$15 million for that purpose. While no longer a separate Budget Act category, the Panel has continued to target HUAs through its Strategic Plan in FY 2001-02 and FY 2002-03.

Effective July 1, 2000, the Panel approved a policy setting HUA criteria. The policy defined how HUAs are to be determined, described program requirements, and identified specific HUAs in the State. In October 2001, the Panel approved proposed regulations that further clarified the HUA policy. This included combining HUA criteria for both Economic Development and Special Employment Training projects. The proposed HUA regulation is currently in the rulemaking process. In the interim, ETP's HUA policy continues to define criteria for HUA funding.

As indicated, the FY 2002-03 Strategic Plan includes an objective to explore a limit on wage waivers for working poor trainees. Currently, working poor trainees in HUAs may receive waivers to the ETP minimum wage, down to the State minimum wage. However, there have been questions regarding the extent to which such waivers should be provided.

In FY 2001-02, \$17 million was approved for 77 projects in HUAs, to train 23,000 workers. Of these, more than 5,500 (24 percent) were considered “working poor” trainees and qualified for wage waivers. Given the extent of the working poor trainee population and the degree to which wage waivers are requested, the intent of the Strategic Plan objective is to set a limit on the percentage allowed for such a waiver. This will help reinforce ETP's emphasis on training for high-wage jobs. For example, working poor trainees in counties where the ETP minimum wage is currently \$11.15 (the lowest required ETP retrainee wage) may receive a waiver down to \$6.75 per hour (the current State minimum wage); however, if the wage waiver were limited to 25 percent, the waiver could not be for less than \$8.36 an hour.

In addition, the HUA policy requires that if working poor retrainees are provided a wage waiver, they must receive a wage increase over their pre-training wage of at least 5 percent, after completing training and employment retention. While the Panel has on occasions required a 10 percent increase, it is recommended the requirement remain at 5 percent, since the Panel has the discretion to require a higher percentage when merited.

Attached, for your approval, are proposed revisions to the HUA policy. If approved, these will also be incorporated into the proposed regulation.

### **Proposed Revisions to HUA Policy**

The attached draft proposes the following updates to the HUA policy:

- A 25 percent limit is placed on wage waivers for both working poor retrainees and new hire trainees. This is consistent with the Strategic Plan objective, "to explore a limit to waivers to wage requirements for working poor and career ladder trainees at a maximum of 25 percent below the required ETP minimum wage". (Note that this issue will be addressed separately for Career Ladders at a later date.)
- “Health benefits” are clarified to state that they cannot be included in the calculation of the required 5 percent increase in wages after training and employment retention, which is required for working poor trainees receiving wage waivers. However, they may be included in the calculation of the required pre-training wage, even with a wage waiver.
- The list of approved HUAs is updated, per the most recent unemployment data from the Labor Market Information Division (LMID) of the Employment Development Department. (The policy currently defines HUAs as counties and sub-county areas that exceed the State average unemployment rate by 25 percent. The attached list is based on September 2002 LMID data.)
- Other technical revisions to the policy are proposed for clarity.

### **Proposed Action**

It is recommended that the Panel approve the attached policy and direct staff to implement the changes incorporated therein.

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## EMPLOYMENT TRAINING PANEL

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### POLICY DIRECTIVE Number 00-002

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**TITLE: TRAINING IN HIGH UNEMPLOYMENT AREAS OF CALIFORNIA**

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EFFECTIVE DATE: 7/1/00  
REVISED 12/15/01, **10/24/02**

#### **Purpose of Directive**

As one of its mandates, the Employment Training Panel (ETP) targets training in high unemployment areas (HUA) of the State, and may make special provisions for “working poor” trainees in these areas, as provided below. This Policy Directive sets forth criteria for determining HUAs for the remainder of Fiscal Year (FY) **2002-03**, effective **October 24, 2002**. It also provides a listing of currently identified HUAs (see Attachment 1).

#### **Background**

The Panel has targeted a minimum of \$15 million in training funds to HUAs for FY **2002-03**, with a focus on the “working poor”. Training projects in HUAs may be approved under both the regular Economic Development category (i.e., retraining of incumbent workers of businesses challenged by out-of-state competition, and training of unemployed workers for secure, well-paying jobs), and under the Special Employment Training (SET) category.

#### **Determining High Unemployment Areas**

- (a) The Panel shall target those areas of the State which, based on the most recent Employment Development Department (EDD) statistics, contain unemployment rates significantly higher than the unemployment rate for California. The Panel may approve contracts under this allocation for employers located in areas of high unemployment. As of **October 24, 2002** these areas, which may be updated annually, consist of:
- 1) Counties with the highest unemployment rates (at least 25 percent higher than the state average), based on data from EDD’s Labor Market Information Division (LMID).
  - 2) If a county has an unemployment rate which is not 25 percent higher than the state average, but, within this county, there is a definable area with an unemployment rate at least 25 percent higher than the State average, based on LMID and census data information, at the time the application for funding is received by ETP, then this area will be considered a high unemployment area.

- (b) Training agreements under this allocation should focus on the “working poor”. The “working poor” are defined as workers who have full-time jobs and fairly stable employment, but earn low wages (defined as less than the required ETP minimum wage) ~~in dead-end jobs and~~ lack the essential job skills necessary to improve their employment opportunities. Their lack of job skills is often accompanied by limited education and limited English-speaking skills.

Trainees in HUA need not be “working poor” trainees. However, only “working poor” trainees in HUA projects will be eligible for the \_\_\_\_\_ waivers described below.

~~The following ETP requirements may be waived for “working poor” trainees in agreements for funding under either the standard Economic Development or SET HUA category:~~

- 1) Wage requirements set out in Unemployment Insurance Code section 10201 (f). The Panel may waive the minimum wage requirements for retrainees, **up to 25 percent below the ETP minimum wage for retrainees**, provided that the post-retention wage of each trainee who has completed training and the required retention period exceeds his or her wage, before ~~and during~~ training, by at least 5 percent, except in cases precluded by existing collective bargaining agreements. This determination shall be made on a project-by-project basis to ensure that post-training improvements in earnings are sufficient to warrant the investment of public funds. **The 5 percent increase in wages must be calculated on the new base wage alone. Health benefits may not be added to the resulting higher wage to meet the required increase in wages. (However, health and other related benefits may be included in a trainee’s pre-training wage to meet the minimum wage for which a wage waiver has been granted.)**
- 2) For new hire trainees, the Panel may also waive the ETP minimum wage requirements, **up to 25 percent below the ETP minimum wage for new hires, after training and employment retention. (Health benefits may be included in a new hire trainee’s post training and retention wage to meet the minimum wage requirement, when a wage waiver has been granted.)** This waiver will be made on a case-by-case basis and will not require a post-retention wage increase because these trainees are not employed during training and do not receive wages during their training.
- 3) Limitations on training hours as specified in Policy Directive 97-001, if the Panel determines additional training will achieve employment stability and advancement opportunities.
- 4) Limitations of ETP Regulation, Section 4420, Literacy training, to permit the funding of basic literacy training skills up to 100 percent of the total vocational skills training hours per trainee. ~~Because many of the “working poor” lack English language skills, it may be necessary to customize~~

~~literacy training to the occupation and business in which the trainees are employed.~~

- 5) Provisions of Section 4425, Structured On-Site Training (SOST), to allow variances on training ratios.
- (c) A training proposal developed and approved under this section shall meet all ETP requirements not otherwise changed, exempted, or eliminated by this section.

**Attachment 1****TARGETED HIGH UNEMPLOYMENT AREAS IN CALIFORNIA  
FISCAL YEAR 2002-03**

The Panel will target those areas of the State which, based on the most recent LMID unemployment statistics, contain unemployment rates significantly higher than the unemployment rate for California. These areas account for over half of the unemployed in California, and include unemployment rates that significantly exceed the state average. For the State fiscal year 2002-03, there are two major groupings of HUAs:

- 1) Counties with unemployment rates which are 25 percent higher than the state average, based on LMID data from EDD. As of **October 9, 2002**, counties must have an unemployment rate of at least **7.625** percent, which is 25 percent higher than the state average of **6.1** percent. Based on this criteria, HUAs include, but are not limited to, the following counties:

Alpine	Kings	Stanislaus
Colusa	Madera	Sutter
Fresno	Merced	Tulare
Glenn	San Joaquin	Yuba
Imperial	<b>Santa Clara</b>	
Kern	Siskiyou	

(Please note that this grouping is not exhaustive. Other counties which are not included on this list may also be classified as HUAs if their unemployment rate meets the criteria set out above. These situations should be elevated by the Development Analyst to their Development Manager.)

- 2) If a county has an unemployment rate which is not 25 percent higher than the state average, but, within this county, there is a definable area with an unemployment rate at least 25 percent higher than the State average, based on LMID and census data information, at the time the application for funding is received by ETP, then this area will be considered a high unemployment area. The following list includes areas considered as areas of high unemployment.

(Please note that this list is not exhaustive. Other areas which are not included on this list may also be classified as HUAs if the unemployment rate meets the criteria set out above. These situations should be elevated by the Development Analyst to their Development Manager).

COUNTY	CITY/AREA	COUNTY	CITY/AREA
<i>Alameda</i>	Ashland Cherryland Oakland	<i>Monterey</i>	Gonzales Salinas Soledad
<i>Butte</i>	Gridley Magalia Oroville <b>Palermo</b> South Oroville Thermalito	<i>Riverside</i>	Banning Beaumont Coachella Hemet Indio Mecca Perris Rubidoux San Jacinto
<i>Contra Costa</i>	<b>Brentwood</b> Richmond San Pablo <b>West Pittsburg</b>	<i>Sacramento</i>	Galt South Parkway
<i>Lake</i>	Clearlake	<i>San Benito</i>	Hollister
<i>Los Angeles</i>	Avocado Heights <del>Azusa</del> <del>Baldwin Park</del> Bell Bell Gardens Commerce Compton Cudahy East Compton East Los Angeles El Monte Florence-Graham Hawaiian Gardens Huntington Park Inglewood La Puente Lake Los Angeles Lennox Los Angeles Lynwood Maywood Paramount <del>Pico Rivera</del> Pomona <del>Rosemead</del> San Fernando Santa Fe Springs South El Monte South Gate South San Jose Hills Valinda <del>Walnut Park</del> West Athens West Compton Westmont West Puente Valley Willowbrook	<i>San Bernardino</i>	Adelanto Bloomington San Bernardino Twentynine Palms
		<i>San Mateo</i>	East Palo Alto North Fair Oaks
		<i>Santa Barbara</i>	Guadalupe
		<i>Santa Cruz</i>	Freedom Watsonville
		<b>Sonoma</b>	<b>South Santa Rosa</b>
		<b>Shasta</b>	<b>Central Valley</b>
		<i>Tehema</i>	Corning
		<i>Ventura</i>	El Rio Fillmore Oxnard Port Hueneme Santa Paula